

CERTIFIED HISTORIC STRUCTURE

Any building individually listed in the National Register of Historic Places automatically qualifies as a certified historic structure. If a building is located within a National Register district, it must be certified by the Department of the Interior as a building which positively contributes to the significance of the district within which it is located.

The Secretary of the Interior's Standards for Evaluating Significance Within Registered Historic Districts

1) A building contributing to the historic significance of a district is one which by location, design, setting, materials, workmanship, feeling and association adds to the district's sense of time and place and historical development.

2) A building not contributing to the historic significance of a district is one which does not add to the district's sense of time and place and historical development; or one where the integrity of the location, design, setting, materials, workmanship, feeling and association has been so altered or has so deteriorated that the overall integrity of the building has been irretrievably lost.

3) Ordinarily buildings that have been built within the past 50 years shall not be considered to contribute to the significance of a district unless a strong justification concerning their historical or architectural merit is given or the historical attributes of the district are considered to be less than 50 years old.



These buildings illustrate a non-contributing structure on the left, and a contributing structure on the right. The structure in the center may also be considered a contributing element to the district, if the billboard and its supports are removed.



This Phoenix Hill structure could easily meet the substantial rehabilitation test.

SUBSTANTIAL REHABILITATION

In order to qualify for a rehabilitation tax credit, the subject building must be "substantially rehabilitated." That is, the rehabilitation expenditures must equal or exceed the adjusted basis of the property or \$5,000, whichever is greater. In the majority of cases, the basis of a given property will be greater than \$5,000.

To calculate basis, the following equation is used: cost of property, plus capital improvements, less the value of the land, less depreciation. In the case of a property which has just been purchased for the purpose of rehabilitation, the land value is simply subtracted from the sale price to arrive at a basis. But if a property has been owned by an individual for many years, it is likely that some capital improvements have been made, and that the building has been depreciated for a number of years.

EXAMPLE: A property was purchased in 1974 for \$25,000. In 1976, the owner spent \$5,000 for a new heating/cooling system and a new roof. In the past 10 years, \$15,000 in depreciation has been taken on the building, and the land is valued at \$3,000. The basis of the property is \$12,000 (\$25,000 + \$5,000 - \$15,000 - \$3,000). At least \$12,000 in rehabilitation expenditures must be incurred in order to qualify for a tax credit. If the same property were purchased today for \$40,000 and the land is valued at \$3,000, the basis is \$37,000 and the owner must spend at least \$37,000 in rehabilitation to qualify for the tax credit. If the 14-year owner sells his rehabilitated structure before it is placed in service, the new owner might be able to take the past owner's tax credit.

Land value may play an important role in the determination of basis. There are two ways to arrive at land value. The Property Valuation Administrator's office has land and improvement values separated for every parcel for purposes of property taxation. This assessment of land value may be used in calculating basis. The land may also be professionally appraised for value.

Substantial rehabilitation, for purposes of obtaining an ITC, must be met within a 24-month period. The credit may not be taken until substantial rehabilitation has occurred and the building is placed in service. A phased project of up to 60 months may be allowed if the project is set forth in phases with architectural plans. In the case of a phased project, the credit may be taken at the end of each phase as that portion of the building is placed in service, as long as the substantial rehabilitation test for the entire structure has been met. This allows a gradual rehabilitation of a large building without an incremental increase in basis against which a new substantial rehabilitation test would be applied.